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Vorming voor leidinggevende arbeid in de onderneming

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SUMMARY

THE ECONOMIC AND ORGANIZATIONAL FOUNDATIONS
OF MANAGEMENT DEVELOPMENT

This study has been devoted to the theoretical foundations of management development activities within the firm and their practical applications. The problem of management development has been treated from the economic point of view in the first place, but as it is an organizational problem in its nature, much has been drawn from the social sciences as well. Furthermore, use has been made of the results of an empirical survey of actual management development practices.

The first chapter introduces the problem. The present state of knowledge concerning management development is described, in which attention is drawn to the direct line in the thinking of Fayol, Hopf, Cordiner and Smiddy regarding management and organization of the firm. Developments in the labour market and, in connection with this, the evolution of labour allocation systems within the firm are to be seen as the reason why management development has become necessary for every company which has reached a certain size. It therefore has the same basis for its existence as job evaluation, the coming into use of which may also be explained by the deficiencies in the functioning of the labour market. In a dynamic situation the functioning of the labour market in such a way that the supply of people with managerial capacities and experience will meet the demands of the firm, can no longer be expected. This is particularly so when taking into account that firms strive for continuity. Therefore a distinction is made between inadequately functioning external and internal labour markets on the one hand and an internal labour allocation system of which management development is a part, on the other. As a consequence, the distinction between a wage market and a job market, as stated by Yoder and subsequently accepted by many other authors, has been rejected, although not its sociological implications regarding the allocation of labour. The impact of labour as a factor of production on all other productive resources of the firm is discussed, especially the importance of the entrepreneurial and managerial services, which together give an individual firm its unique productive opportunity. Management development activities in the first place have to be aimed at the creation of entrepreneurial and managerial services which the firm may require in the future. The problem of management development has to be regarded as a complex problem of growth: 1. the development of human capacities for the

successive career phases of business leaders of all levels, 2. the growth of the firm including the development of career possibilities and 3. the development of society which is also dynamic.

The interdependency of management development and the external circumstances is stressed and the necessity for accepting the principle of continuous education, particularly the need for postgraduate courses for experienced managers and functional specialists and their immediate assistants is emphasized.

The second chapter reports on an extensive comparative study made by the author in 23 North-American firms of various sizes, representing a cross section of American industry. Facts are given about the history, the incidence and aims of management development activities. The methods, techniques and subjects of management development are described and discussed. Some case-studies about company management development programmes are included. In addition to one of these cases a company-university cooperation in a large post hoc evaluation project is described. A first analysis and evaluation of the results of the comparative study is presented: 1. the importance of an integrated approach is emphasized, in other words long term planning of the organization structure interrelated with long term personnel planning and development, 2. the significance of permanent top management backing of the management development programme, particularly when starting with a limited partial approach, 3. the connecting of methods and subjects with special short term goals or the manifest needs of the participants, 4. the unsatisfactory results of traditional appraisal schemes, and finally 5. the danger of perfectionism and pseudo-quantitativeness in the administrative procedures of management development systems. The material of this chapter is used in the following chapters to illustrate the analysis and evaluation ante hoc of primary activities and supportive measures which are applicable to the fostering of management development.

In the third chapter an extensive analysis is made of the possibilities of self-development in the development of the structure and the functioning of the internal organization of a firm. First of all the impact of the development of the organization structure on the possibilities of self-development in the daily work is dealt with. A distinction is made between the organic and personal specifications of functions, according to the fundamental principles of a general theory of management as stated by J. L. Meij*.

Also his multi-dimensional concept of control, that all organization is a struggle for enlarging the scope of control in its width as well as in its depth,

* In the English version first published in the *Journal of Industrial Economics*, Vol. IV, Oct. 1955, No. 1.

is applied throughout this study. Limitation of the number of levels of management by widening the scope of control as much as possible is indicated as one of the most important measures for the creation of possibilities for self-development. A limitative enumeration of the factors which condition the scope of control in a particular situation and their interdependency with education and training is given. Flexibility and elasticity in the dividing of tasks into functions and departments is recommended in addition to a continuous long term planning of the structural development, to foster both the possibilities for personal self-development and the growth of the firm. In addition to the significance of the qualitative aspects of the distribution of authority and responsibility in the organization structure, the impact of its dynamic quantitative aspects, consisting of budget systems and procedures is analysed. Their interdependency with appraisals of personal performance and the importance of the concept of self-measurement, as stated by Smiddy are explained and emphasized. With a survey of the categories of departments and functions the basis is given for further exploration of the possibilities of self-development in the structural development of the organization. Secondly the impact of the formal and informal relationships which exist and may exist within the structural framework of the organization, through which the decision making process in the firm is conditioned, is focussed. The variety in the personal fulfilment of roles in those relationships which actually exist in the functioning of the organization, is decisive for the self-development in the daily work. Starting from the fusion process concept as introduced by Wight Bakke and the scope of control concept of J. L. Meij, as mentioned above, two new concepts are originated: the scope of self-development and the scope of influence. Every supervisor, manager, assistant-to or functional specialist has a certain scope of self-development in interaction with his daily work, which means, that he develops and applies his potential capacities to some extent and in a certain way through his work. The scope of influence is that part of the scope of self-development which is aimed at the process of managing and cooperating within the enterprise, the influence which is exercised through hierarchical as well as non-hierarchical relationships by the incumbent of a function on the course of the organization. The scope of influence of the subordinate and the scope of control of a superior are facing each other at the different positions in the organization structure. The scope of control of a superior is a part of his scope of influence. The measure of correspondence of the scope of self-development and influence of the subordinates with the scope of control of the superiors at the different structural positions is the degree of fusion of the internal organization. With these concepts it becomes possible to integrate the findings of economic and social sciences in their application on the problem of internal organization and management development. With the above mentioned new concepts and the concept of the scope

of control, a further analysis is made of the hierarchical and non-hierarchical structural relationships, and the significance of the way the organization functions as far as self-development opportunities are concerned, is stressed. The inadequacy of the traditional line-staff approach is proved and the evolving of a continuum of non-hierarchical relationships is shown. The neglect in literature of relationships originating from the organic specifications of functions as a continuation of similar forces operating in society at large, is particularly indicated. The importance of adequate organization techniques and procedures for efficient relationships and opportunities for self-development is explained. The great significance of adequate delegation by the superiors and the taking of initiative by subordinates in hierarchical as well as in non-hierarchical relationships is explained and emphasized. A comparison is made between the development and influencing possibilities within the various kinds of departments and functions.

The continuous possibility of innovations through entrepreneurial and managerial services by all levels of supervisors, managers, functional specialists, etc. throughout the system of structural relationships is shown. Resulting from this it is proved that the traditional line functions in operating or direct departments no longer are a priori the best hunting ground for future executives. More and more managing and staff functions in indirect-functional departments become a training ground for top management functions. This tendency will be intensified by the combined effect of the application of mathematical and statistical techniques (operations research) and the use of computers. Furthermore, some methods for self-development mentioned in chapter 2, which may have immediate utility for the firm, are discussed: job rotation, internal conferences and staff meetings, committee work and multiple management. Some attention is given to the complication of geographical dispersion of a firm's activities. Finally the impact of automation of production, of the information process and of decision making on the structural development and the functioning of the organization in connection with the possibilities of self-development is analysed. To a large extent the concepts of Simon regarding automation are followed. A distinction is made however between decision making which may be partly automated and decision taking, which is inseparably connected with the personal responsibility which is assumed for the consequences of the decision, a human activity which can never be automated. Automation is considered as applicable for centralisation as well as for decentralisation. Management development requirements will make it necessary for automation to be used in the direction of decentralisation.

In the fourth chapter the impact of the growth of the firm is analysed, starting from the basis laid down by Edith Penrose in her theory of the growth of the firm. The interdependency of the growth of the firm, its size and manage-

ment, which is neglected by Mrs. Penrose in her study, is proved. Penrose's paradox in the relation between the advantages of the process of growth and the resulting larger size is therefore not acceptable.

Firstly in this chapter, the aspects of the growth of the firm are analysed in their interdependency with management development. Through a long term strategic policy in the planning of the structural development of the internal organization and the interrelated manpower planning, the growth of the firm can be fostered, guided and to some extent also programmed. Creation of an organizational structure which encourages growth is possible. Secondly the aspects of the size of the firm are covered. The significance of decentralization, meaning the splitting-up of an organizational unit into sub-units, for the possibilities of self-development is explained. In this study an attempt has been made not to use the term decentralization in the traditional loose sense which creates confusion with the term delegation. Decentralization as used in this study has a wider meaning than delegation, which is a prerequisite for it and which occurs mostly without decentralization. Decentralization will lead to a multiple enterprise system within the totality of a concern and is to be considered as the outcome of the impossibility of enlarging the scope of control of top management of the original firm after having reached a certain phase in its growth and size, for instance product-centered divisionalisation. The particular structural relationships within the large decentralized firm or concern and their impact on the possibilities of self-development are analyzed. Some attention is also paid to that particular spasmodic type of growth which is due to acquisition and merger. The larger the size of the firm the more opportunities there are for a more refined application of the labour allocation system, which may create a higher degree of fusion of the internal organization as defined above. Relationships within the concern become more complicated and may partly resemble the external relationships with more possibilities for initiative, leading to innovations and self-development. Relationships within the organization structure should be such that the results of the comparative advantages of the size will overcompensate its disadvantages in the external competitive situation. Supportive measures for management development will be required for this. Finally the interdependency of the size, the growth-process and management development is stated as follows: The management development activities in period A determine the maximum rate of growth in period B; growth usually will lead to a larger size, which leads to a better allocation of human capacities over the available jobs and creates more possibilities for management development, which in its turn fosters the growth process, etc.

The last chapter covers the primary activities and supportive measures which can foster management development. All efforts are regarded as primary

activities which create more possibilities for self-development within the daily work as it is conditioned by the structural development and the functioning of the internal organization, which have been analysed in the foregoing chapters. All other management development activities are seen as supportive measures only. The impact of the behaviour of top-management and the immediate superior is emphasized. The structural place and the tasks of a function or department devoted to management development are discussed. A critical analysis of management development programmes in the light of the foregoing analysis is given. The traditional systems of individual replacement charts are compared with a more global method of succession-categories, which is more adequate under dynamic circumstances, particularly for larger firms. The crucial point of the appraisal systems and the continuous information about the quality of the available human capacities are discussed. The aims of the supportive measures are analysed and the creation of conceptual skills is emphasized. All supportive measures should eventually result in enlargement of the scope of control, whether it is immediate or in the future. Therefore attention is drawn to the impact which education and training may have on the factors which condition the scope of control. The selection of subjects and methods for formal training activities is related to the interdependency which is shown to exist between the phase of the firms' growth, organizational structure and relationships, and the type of leadership. The most important approach of Boulding regarding the interdependency of internal and external relationships and their interconnected development in its significance for management development programmes is highly emphasized. Some attention is given to the supportive measures which may be necessary in the case of international dispersion of the firm, particularly over regions with different stages of economical, social and political development. Finally the problem of comparing and choosing between alternative possibilities of formal training is covered. For each company this problem can be solved through ranking of aims and comparison of costs. One of the conclusions of Bridgman in the Carnegie Report that there is still an unsolved problem relating to the proper emphasis on individual methods of development as compared with training courses for groups, is therefore considered as a pseudo-problem.

In a final consideration of the study, most of its findings are demonstrated in another cross section of it with the help of the model of the growth of a small firm through its different stages to a large international concern.